

22nd
ANNUAL REPORT
2006

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nakoda textile industries limited

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NAKODA TEXTILE INDUSTRIES LIMITED

ISO 9001-2000

Board of Directors

(1) Mr. B. G. Jain	Chairman & Managing Director
(2) Mr. D. B. Jain	Joint Managing Director
(3) Mrs.P. B. Jain	Director
(4) Mr. B. L. Maheshwari	Director
(5) Mr. S. K. Bhoan	Director



Registered Office & Plant

Block No. 1&12 to 16,
Village - Karanj,
Taluka - Mandvi,
Dist. - Surat.

Company Secretary

Mrs. Rashmi Bhatt

Corporate Office

738, Ajanta Shopping Centre,
Ring Road, Surat - 395 002

Auditors

N. M. Singapuri & Co
Chartered Accountants,
O-18, Kanaknidhi Apartment,
Opp. Gandhi Smruti, Nanpura,
Surat.

Bankers

Canara Bank
State Bank of Patiala
Syndicate Bank

www.nakoda.co.in



NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the members of **NAKODA TEXTILE INDUSTRIES LIMITED** will be held on Monday, the 25th June, 2007 at 12.30 P.M. at the Company's Registered Office at Block No. 1&12 to 16, Village - Karanj, Taluka - Mandvi, Dist.- Surat.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended on 31st December 2006 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. D. B. Jain who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification(s), the following resolutions:

4. As An Ordinary Resolution

"RESOLVED THAT pursuant to the provisions of section 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or enactment thereof for the time being in force), the company hereby approves the re-appointment and the terms of remuneration of Shri B. G. Jain as Managing Director of the Company for a period of 5 years with effect from September 01, 2006 upon the terms and conditions as set out in the Explanatory statement annexed to this Notice and that the Board of directors be and is hereby authorized to execute an agreement in such manner as may be agreed upon between the Board of Directors and Shri B. G. Jain."

5. As An Ordinary Resolution

"RESOLVED THAT in supersession of the resolution passed at the Extraordinary general meeting of the Company held on 30.09.2005 pursuant to provision of Section 293(1)(d) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, on such terms and conditions and with or without security as the Board of Directors may in its discretion think fit notwithstanding that the money or monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not so set aside for any specific purposes, provided however, that the total amount so borrowed and remaining outstanding at any particular time shall not exceed Rs. 500.00 crores (Rs. Five Hundred Crores only)."

6. As A Special Resolution

"RESOLVED THAT, subject to the confirmation by the Registrar of Companies, Gujarat Memorandum of Association of the company be and is hereby altered by inserting a new clause III(A)(2) under the main object as under:

To carry on in India or elsewhere in the world with or without collaboration the business to sell, purchase, trade, market, import, export, to act as broker, sub-broker, adatiyas, auctioners, producers, representatives, commission agent, agents, sub-agents, marfatias, purchasers, and otherwise deal in all types of Commodities & its derivatives, agriculture products, crop, seeds, grains, pulses, oilseeds,

oils, timber, furniture, vegetables, salt, rice, agro products, metals, minerals, precious metal, stones, herbals, white metals, gold, silver, diamond, platinum, crude oil and its derivatives, petrochemicals and other commodities."

7. As A Special Resolution

"RESOLVED THAT pursuant to the provision of Section 149(2A) and other applicable provisions, if any, of the companies Act, 1956, the approval of the members of the Company be and is hereby given for commencing and undertaking the new business as stated in the Object Clause III(A)(2) of the Memorandum of Association of the Company upon the said Clause becoming effective."

8. As A Special Resolution

"RESOLVED THAT, in terms of section 81 and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of Articles of Association of the Company and subject to the consent of the Securities and Exchange Board of India (SEBI) and all other concerned authorities and departments, if any and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (herein after referred to as "The Board" which term shall be deemed to include any committee of the Board), at its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer and issue equity and/or preference shares at premium by way of Public/Rights/Preferential issue/Private Placement or in such other manner, in such trench or trenches in Indian Rupees and / or foreign currency of an aggregate amount of Rs. 100 Crores including premium if any, either in cash or for consideration other than cash to such person or persons (including Banks, Financial Institutions, Mutual Funds, Employees, Foreign Suppliers of Equipments or Technology and Public), whether shareholders of the Company or not and at such time as the Board may, in their absolute discretion and in the best interest of the Company may deem fit."

"FURTHER RESOLVED THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to the issue and allotment of the said shares including the power to allot the unsubscribed shares, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company."

9. As A Special Resolution

"Resolved that Mr. S. K. Bhoan who was appointed as an additional director by the Board of Directors and hold office upto the date of Annual General Meeting of the Company, and in respect of whom the company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Non Executive Director of the Company and will be liable to retire by rotation."

Place: Surat
Date : 25.04.2007

By Order of the Board
RASHMI BHATT
Company Secretary



NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote thereat and the proxy need not be a member of the Company. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the annual general meeting.
2. Members/ Proxies should bring the attendance slip duly filled in for attending the meeting.
3. The Register of Members and Share transfer Books of the Company will remain closed from 15th June 2007 to 25th June 2007 (both days inclusive)
4. **The transaction at sr. No. 6 requires consent of shareholders through postal ballot. The details are enclosed herewith. If the resolution is assented to by the requisite majority of the shareholders in the Postal Ballot, it shall be deemed to have been passed at the said Annual General Meeting.**
5. As required in the terms of paragraph VI(A) of the Clause 49 of the Listing Agreement, the details of the Directors retiring by rotation and eligible for re-appointment are furnished below.
Sh. D. B. Jain, Director of the Company is having a rich experience in textile industry. He has been associated with the Company since July 2000 retires by rotation and being eligible offers himself for re-appointment.
6. Pursuant to the recommendation of SEBI Committee on Corporate Governance for appointment of Directors / re-appointment of the retiring Directors, a statement containing details of the concerned Directors forms part of Corporate Governance report.
7. Members are requested:
 - a) to bring their copies of Annual Report and Attendance slip at the time of the meeting.
 - b) to quote their Folio No.(s) in all correspondence.
 - c) who hold share in dematerialization form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
 - d) to forward their queries, if any, so as to reach the corporate office of the Company on or before 18th June, 2007 enabling the management to keep the information ready.
8. Members are requested to note that all correspondence relating to share transfer, Change of Address and Dematerialization should be addressed to the Corporate office at 738, Ajanta Shopping Centre, Ring Road, Surat 395002 / MCS Ltd., Neelam Apartment, 88, Sampatrao Colony, B/h Federation Bldg., Alkapuri, Baroda 390 007.

By Order of the Board
RASHMI BHATT
Company Secretary

Place: Surat
Date : 25.04.2007

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956:

Item No. 4

Shri B. G. Jain was appointed as Managing Director with effect from 01.09.2001 for a period of 5 years. The term expired on 31.08.2006. Considering his qualification and experience, the Board felt desirable that the company should avail of his services. The Board of Directors had subject to approval of members of the company, reappointed Shri B. G. Jain as Managing Director for a period of 5 years with effect from 01.09.2006 on the following terms and conditions.

1. The Managing Director shall be entitled to following

remuneration and perquisites.

- a) Salary Rs. 1,00,000/- per month.

b) Perquisites:

- i) Provident fund, superannuation and gratuity benefit in accordance with the Company's rules and regulations in force from time to time.
- ii) Reimbursement of medical expenses actually incurred, total cost of which to Company shall not exceed Rs. 15,000/- in any year.
- iii) Leave on full pay and allowance as per the rules of the Company but not exceeding four weeks leave for every completed year of service, subject to the condition that leave accumulated but not availed will not be allowed to be encashed.
- iv) Reimbursement of actual fare for self and family (wife and minor children) once a year to and from any place in India.
- v) Free use of Company car and driver, monetary value of which may be evaluated as per rule 3 of the Income Tax Rules, 1962.
- vi) Free telephone facilities at his residence and reimbursement of actual electricity expenses at his residence.
- vii) Personal accident insurance of an amount premium of which does not exceed Rs. 3,000/-.
- viii) Reimbursement of entrance fee and subscription for membership of a club.

2. In addition to above, the Managing Director will be reimbursed entertainment or other expenses actually and properly incurred in connection with the company's business subject to a maximum of Rs. 3,000/- per month.
3. The remuneration aforesaid including the benefits and amenities aforesaid shall nevertheless be paid and allowed as the minimum remuneration, for any year in case of absence or inadequacy of profit of such year.

In compliance with the provisions of the companies Act, 1956, the appointment of Mr. B. G. Jain as Managing Director and terms of reappointment specified above are now being placed before member in general meeting for approval.

This Explanatory statement together with the accompanying Notice should be treated as an abstract of the terms of Agreement and Memorandum of concern or interest under section 302 of the Companies Act, 1956.

The Board recommended the passing of resolution as set out in item no. 4 of the notice read with the explanation given above.

Shri B. G. Jain, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this resolution.

Item No. 5

At the EGM of the company held on 30.09.2005 the consent of the members had been obtained for directors to borrow a maximum amount of Rs. 200 crores not with standing that the money to be borrowed by the Company (apart from temporary loans obtain from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. Looking into requirements of the business activities carried by the Company, it may require additional funds. Hence, the Board of Directors of the Company should be authorized to borrow moneys from time to time, from banks, financial institutions and any other sources. The moneys to be borrowed by the Company may exceed the aggregate paid-up capital and its free reserves, provided however, the total amount of such borrowing shall not exceed



the sum of Rs. 500.00 Crores at any time. This authority can only be exercised by the Board in accordance with the provisions of Section 293(1)(d) of the Companies Act, 1956.

Your Board proposes resolution, as set out in Item No. 5 for approval as an ordinary resolution.

None of the directors is concerned or interested in the resolution.

Item No.6

Your company is planning to trade in bullion. This would be synergistic with the trading activity of the company and long term benefits would accrue.

In view of above it is proposed to amend the Memorandum of Association of the company by inserting a new clause III(A)(2) under the main object which would enable your company to undertake trading activities as detailed in the said clause.

As per the provisions of Section 17 of the Companies Act, 1956 the Objects of the Company may only be amended after the consent of the members by way of Special Resolution subject to confirmation of the Registrar of Companies.

The proposed resolution is to be passed through postal ballot for which necessary details are enclosed herewith.

Your directors recommend that the proposed resolution be adopted in the interest of the Company.

None of the directors of the Company is concerned or interested in the proposed resolution.

Item No.7

In order to validate the commencement of new business the Company is required to obtain the approval of members by way of a special resolution.

Keeping in view the amendment made in the Object Clause of the memorandum of Association of the company, it is necessary for the members to give their consent to the Company under Section 149(2A) by way of a special resolution for commencing the business as set out in item No. 6.

Your directors recommended to pass necessary resolution as set out in Item No. 7 of the notice.

None of the Directors of the Company are concerned or interested in the resolution except as members of the Company.

Item No. 8

The resolution in item No. 8 is put forth thereby enabling the Company to have full authority to create, offer and issue equity and /or preference shares by way of either public / Rights / Preferential issue / Private Placement or in such other manner at any stage later on.

Your directors recommend that the proposed resolution be adopted.

The directors of the Company are deemed to be concerned or interested in the resolution to the extent of their share holding in the Company.

Item No. 9

In accordance with Section 260 of the Companies Act, 1956 Mr. S. K. Bhoan holds office as a Director of the Company till the forthcoming Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. S. K. Bhoan to the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr. S. K. Bhoan aged 58 years is having a rich experience in textile industry and his introduction on the Board would benefit the Company. Hence, the Board recommends that the resolution set out in item no. 9 be carried out. None of the directors are interested in this resolution.

DIRECTORS REPORT

TO,

The Members,

Your Directors have pleasure in presenting their 22nd Annual Report together with Audited Accounts for the period ended 31st December 2006.

FINANCIAL RESULTS

	AS AT 31.12.2006 (Rs.In Lacs)	AS AT 31.12.2005 (Rs.In Lacs)
Turnover & other Income	35695.99	19061.83
Gross Profit (before Financial Charges & Depreciation)	1456.33	1026.65
Interest & Financial Charges	551.06	422.36
Profit before Depreciation (Cash Profit)	905.27	604.29
Depreciation	291.02	218.21
Profit for the year	614.25	386.08

OPERATIONAL REVIEW

Your Company has achieved turnover of Rs. 35695.99 lacs compared to Rs. 19061.83 lacs in the previous year. Gross profit for the year is Rs. 1456.33 lacs compared to Rs. 1026.65 lacs for the previous year. The gross turnover was higher by 87.26 % at Rs.35695.99 lacs.

FINANCIAL OVERVIEW

Your company is presently banking with a consortium of three banks. Canara Bank as a lead bank with 60% share, State Bank of Patiala & Syndicate Bank each have a 20% share. During the current year company has projected more than double turnover in trading activity as compared to 2006. To meet the additional working capital requirement for substantial increase in trading and manufacturing activity Bankers have enhanced working capital limits of the company from 96 Crore to 164.50 Crore for the year 2007.

Company has regularly satisfied the repayment obligation in respect of loans of Canara Bank and State Bank of Patiala.

DIVIDEND

The Board of Directors do not recommend any dividend for the accounting year 2006 to conserve resources.

OVERVIEW AND FUTURE OUTLOOK

From the year 2006 the Company started trading in Chips, FDY/PFY & Spun Yarn. During the year your Company has imported and marketed around 10000 MT of FDY in the very first year. This has prompted the company for going into manufacturing of FDY/SDY. The company in the course of time has established good marketing network for the product.

Your company intends to set up fresh manufacturing capacity for production of FDY/SDY yarn with installed capacity of 19500 MTPA. For the purpose, it has imported 6 numbers of secondhand SDY lines from Korea. This project is being set up adjacent to existing POY manufacturing facility making it easily manageable and making possible use of existing infrastructure thereby reducing administrative and overhead expenses. Two lines have been commissioned and the other four lines are due to be commissioned by August 2007.

DIRECTORS

Shri D. B. Jain is retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

The Board has reappointed Mr. B. G. Jain as the Managing Director of the company for a period of five years w.e.f. 1st September 2006 subject to the approval of shareholders. The Board appointed Mr. S. K. Bhoan w.e.f. 25.04.2007 as an additional Director of the company.

SHARE CAPITAL

During the year under review, the company issued and allotted 40,00,000 equity shares preferentially to the promoters as well as outsiders. The said issue has been made to meet requirements for implementing the proposed expansion of activities viz- trading in Chips, FDY/PFY and Spun Yarn.



CORPORATE GOVERNANCE

In line with guidelines recommended by Security & Exchange Board of India (SEBI) Committee on Corporate Governance adequate steps have been taken to ensure that all the mandatory provisions of Clause 49 of the Listing Agreement already complied with. A separate report on Corporate Governance is included as part of the Annual Report. The Auditors certificate confirming compliance of Corporate Governance is included in the said Corporate Governance report.

SAFETY, ENVIRONMENT & POLLUTION CONTROL MEASURES

During the year, due to various safety measures taken, no major accident took place in plant operations. Training programmes for safety awareness and safe working conditions were held round the year. Your Company has complied with various emission standards and other environmental requirements as per pollution control norms.

In order to improve environment tree plantations within the factory complex is being done on a continuous basis. Installation of Bi-fuel kits on DG sets which reduced SPM & sox discharged. The Company has constructed water pond for rain water harvesting thereby increasing ground water table.

LISTING

Securities of your Company continue to be listed with Mumbai Stock Exchange. Annual listing fees have been paid to the Stock Exchange.

EMPLOYEES

There is no employee getting remuneration as prescribed under section 217(2A) of the Companies (Particulars of Employees) rules, 1975 as amended.

STATUTORY INFORMATION

Statutory information required under the Companies (Disclosure of Particulars in the report of Board of Directors Rules, 1988) applicable to the Company and forming part of this report are set out in Annexure to this report.

AUDITORS

M/s. N. M. Singapuri & Co. Chartered Accountants, Surat retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

DIRECTORS CONFIRM:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors express their gratitude and sincere appreciation for the continued co-operation received from bankers and financial institutions throughout the year and for the utmost faith reposed by the investors and shareholders of the Company. They also place on record their sincere appreciation for the efforts put in by employees of the Company at all levels.

For and on behalf of the Board

Place: Surat

Chairman & Managing Director Shri B. G. Jain

Date: 25.04.2007

Joint Managing Director Shri D. R. Jain

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT

The polyester feedstock supply is expected to ease, leading to a softening of feedstock (PTA and MEG) prices over the 2 years up to 2007-08. Hence polyester players would be able to slash the prices of polyester (both PSF and PFY) to make price-competitive vis-à-vis cotton yarn. However, cotton yarn prices are expected to rise due to the reduction in production and raised prices of cotton. In the above situation, polyester would become more competitive, thereby improving its demand.

Worldwide, around 80-85% polyester yarn production is of textured yarn and 15-20% is of FDY or flat yarn.

In the year 2004-2005 FDY production in India was around 0.08 million tones / annum and it has more than doubled in year 2005-2006 to 0.18 million tones / annum. Growth of 125% in one single year.

OPPORTUNITIES & THREATS

The Industry's operating rate has traditionally been 85-90 per cent since 1998. However, the commissioning of large additional capacities by most polyester players has led to a situation of bunching up of capacities in a span of one-and-a-half years. Even after the decline in prices, demand for polyester is expected to grow at a moderate pace (lesser than the growth in capacities), leading to lower operating rates in the industry.

There is a substantial gap in demand and supply of FDY. As per our demand estimate, there is shortage of 0.12 million ton / annum of FDY in India.

Looking to the medium term scenario, there is an attractive opportunity to expand FDY capacity.

FUTURE OUTLOOK

Growing demand in India is growing at a compounded annual growth rate (CAGR) of 3 per cent over the last 10 years. However, the share of man-made fibres (MMF) in clothing consumption has been increasing over the years. This was mainly due to the improved price-competitiveness of polyester over cotton. This trend reverted in 2004-05, and MMF share went back to 40 per cent, due to the drop in cotton prices and the hike in polyester prices.

However, with the increase in polyester capacities and a relatively comfortable situation in feedstock supply, the price of polyester is expected to come down. POY prices are expected to come down by around 6 per cent over the 2 years.

HUMAN RESOURCE DEVELOPMENT (HRD)

Human Resource Development continued to receive focused attention. Industrial relations continued to be cordial throughout the year. The company has a strength of 250 permanent employees. The company and its management value the dedication of its employees and acknowledge their contribution in attaining goals of the company. The company has been encouraging employees by providing a better working environment and other additional benefits.

ENERGY CONSERVATION

Your company has pursued energy conservation measures by installation of invertors on cooling water pumps, energy efficient chips dryers, Bi-fuel kit on two DG sets, Conversion of induction of load into HTM heating, HTM heaters converted from FO to gas fired. All this resulted in reduction of power consumption by about 20% to 35%. Further during the year it has installed and commissioned gas fired engine and VAM in the month of October 2006 having cogeneration facility which is environment friendly and will lead to a substantial savings in fuel cost also.

RISK & CONCERNS

While the headlines in our business dailies about the state of the economy are undoubtedly encouraging, there could be some worrying signs on the horizon. Our infrastructure is bursting at the seams, inflation is rising and the trend may continue.

Strong demand in the past combined with prospects of increasing future demand has triggered a spate of new investments in polyester for both PFY and PSF. One of the world's largest polyester plants-Reliance Industries' 550000-tonnes capacity plant was commissioned in Q1 2006-07. These capacity expansions will ease the pressure on supplies towards the end of 2006. We expect operating rates to come down to 60-70 per cent by 2007.

CAUTIONARY STATEMENT

Statements in this MDA may be 'forward looking statements' within the meaning of applicable securities laws and regulations. There are several factors which would be beyond the control of Management and as such, may affect the actual results which could be different from that envisaged.



**ANNEXURE TO THE DIRECTORS' REPORT
FORM - A**

DISCLOSURES OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	AS AT 31.12.2006	AS AT 31.12.2005
A. POWER AND FUEL CONSUMPTION		
Electricity		
Own Generation		
i) Through Diesel Generator Units (In 000's)	6487.98	13732.32
Unit per liter of HSD/LDO/FO	3.71	4.31
Cost/Unit (Rs.)	7.04	4.40
ii) Through Gas Engine Units (In 000's)	8110.39	0.00
Unit per scm.	4.00	0.00
Cost/Unit (Rs.)	4.27	0.00
B. CONSUMPTION PER UNIT OF PRODUCTION	KWH/KGS	KWH/KGS
Products		
POY	0.55	0.57

FORM - B

A. RESEARCH AND DEVELOPMENT

- | | |
|--|------------------|
| 1. Specific area in which R & D carried out by the Company | : Not Applicable |
| 2. Benefits derived as a result of above R & D | : Not Applicable |
| 3. Future plan of Action | : Not Applicable |
| 4. Expenditure on R & D | : Not Applicable |

**B. TECHNOLOGY ABSORPTION ADOPTION AND INNOVATION
ENERGY CONSERVATION MEASURES TAKEN**

- High pressure system air pressure reduced to 7.6 kg/cm² from 8.5 kg/cm².
- Air compressor loading/unloading adjusted in such a way that compressor run on low speed when pressure increased instead of present system of loading/unloading of compressor.
- Threading operation of yarn done by wet air instead of dry air helps to stop 600 cfm dryer also improve compressor efficiency as pressure drop of 0.6 kg/cm² across dryer eliminate.
- By adjusting manual valve across three-way control valve in chilled water circulation system helps to stop one nos 25hp Pumps.
- Increased cleaning frequency of air washer filter helps us to run supply fan on low speed.
- Installation of exhaust gas fired voltas vapour absorption machine helps us to stop refrigerated chillers.
- Installation of Thermax vapour absorption m/c to utilize heat available from gas engine jacket water helps us to stop refrigerated chillers.
- Replacement of hot water circulation pump of higher head with lower head.
- Installation of two nos induced cooling tower (which are not running as we have stopped gas / fo dual fired gas engine) in utility area to improve the cooling tower efficiency.

- | | |
|------------------------------|----------|
| C. Foreign Exchange Earnings | : NIL |
| Foreign Exchange Outgo | : 746710 |

Place: Surat
Date : 25.04.2007

For and on behalf of the Board
Chairman & Managing Director Shri B. G. Jain
Joint Managing Director Shri D. B. Jain

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Nakoda Textile Industries Limited

We have reviewed the compliance of conditions of Corporate Governance by Nakoda Textile Industries Ltd. ("The Company") for the year ended 31st December, 2006 as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and according to the explanations given to us, we certify that the company has complied with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against Company as per the records maintained by the shareholders / investor's grievances committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**FOR N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS**

Place: Surat
Date : 25.04.2007

(N.M. SINGAPURI)
PARTNER
MEMBERSHIP NO. 11601